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Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 FRB-01 AID-05 CIAE-00 COME-00

EB-07 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /102 W
---------- 000548
R 211633Z SEP 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC 2004
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 15899

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING SEPTEMBER 21)

1. BUNDESBANK MONTHLY REPORT: IN ITS MONTHLY REPORT FOR SEPTEMBER THE BUNDESBANK CONTINUES TO BE OPTIMISTIC REGARDING THE ECONOMIC UPTURN, POINTING OUT THAT INVESTMENT IS NOW LIKELY TO PICK UP IN VIEW OF INCREASING CAPACITY UTILIZATION IN MANY INDUSTRIES, RELATIVELY LOW INTEREST RATES AND THE NEED FOR BOTH NEW AND REPLACEMENT INVESTMENTS. FOR 1976, THE BUNDESBANK CONCLUDES THE
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ORIGINAL GNP REAL GROWTH TARGET OF 4-5 PERCENT WILL BE

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SIGNIFICANTLY EXCEEDED (THE BUNDESBANK INTERESTINGLY DOES NOT MENTION ITS LATER 6 PERCENT GROWTH PROJECTION). CONCERNING THE 8 PERCENT TARGET FOR THE GROWTH OF CENTRAL BANK MONEY, THE BUNDESBANK CONCEDES THAT IT NOW WILL NOT BE POSSIBLE TO STICK TO IT EXACTLY (I.E., IT WILL BE EXCEEDED).

2. FIRST NATIONAL CITIBANK ESTABLISHES GERMAN SUBSIDIARY: CITIBANK HAS ESTABLSIHED A SUBSIDIARY INCORPORATED UNDER GERMAN LAW WITH AN EQUITY CAPITAL OF ABOUT DM 460 MILLION. ACCORDING TO PRESS REPORTS CITIBANK HAS TRANSFERRED MOST OF THE BUSINESS OF ITS 6 GERMAN BRANCHES TO THE SUBSIDIARY WHICH ALSO HOLDS CITIBANKS EQUITY IN TRINKAUS AND KUNDENKREDITBANK. CITIBANK WILL, HOWEVER, MAINTAIN ITS FRANKFURT BRANCH AS A DIRECT BRANCH OF THE NEW YORK BANK FOR MONEY MARKET AND CLEARING BUSINESS.

3. FOREIGN EXCHANGE MARKETS: FROM SEPTEMBER 14 THROUGH THE 20TH THE DOLLAR SUFFERED DAILY LOSSES ON GERMAN FOREIGN EXCHANGE MARKETS, DECLINING BY A TOTAL OF ALMOST 1.6 PERCENT DURING THE PERIOD. SEVERAL FACTORS ARE CITED AS HAVING CONTRIBUTED TO THE DOLLAR'S WEAKNESS INCLUDING: PERSISTANT EXPECTATIONS OF A DM REVALUATION IN SNAKE DESPITE GOVERNMENT STATEMENTS TO THE CONTRARY (SEE FOLLOWING PARAGRAPH); REPORTED USE OF THE DOLLAR TO SUPPORT THE BRITISH POUND AND THE ANNOUNCEMENT OF AN UPCOMING STRIKE AT THE FORD MOTOR CO. ON TUESDAY, SEPTEMBER 21, HOWEVER, THE DOLLAR STRENGTHENED AGAIN, RISING FROM MONDAY'S YEARLY LOW OF DM 2.4691 TO DM 2.4798. FRANKFURT SPOT AND FORWARD RATES DEVELOPED AS FOLLOWS DURING THE REPORTING WEEK:

	SPOT DOLLARS			FORWARD DOLLARS (IN PCT. PER ANNUM)	
	OPENING	FIXING	CLOSING	ONE-MONTH	THREE-MOS.
SEP 14	2.5080	2.5063	2.5025	-1.4	-1.4
15	2.4920	2.4911	2.4850	-1.0	-1.2
16	2.4820	2.4907	2.4850	-1.3	-1'3
17	2.4810	2.4792	2.4780	-1.0	-1.2

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20	2.4787	2.4691	2.4720	-1.1	-1.0
21	2.4770	2.4798	N.A.	N.A.	N.A.

4. APEL DENIES DM REVALUATION: FOLLOWING THE EC FINANCE MINISTERS' MEETING OF SEPTEMBER 20, FEDERAL MINISTER OF FINANCE APEL TOLD THE PRESS THAT THE DM WOULD NOT BE REVALUED "EITHER BEFORE OR AFTER" THE UPCOMING ELECTION. THE FEDERAL PRESS SPOKESMAN IN BONN SAID THAT A RE-

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VALUATION WAS NOT UNDER CONSIDERATION EITHER NOW OR "IN THE COMING WEEKS." APEL IS ALSO REPORTED TO HAVE TOLD HIS EC COLLEAGUES THAT THE FRG EXPECTS "WITH CERTAINTY" TO ATTAIN A 6 PERCENT REAL GNP GROWTH RATE IN 1976.

5. MONEY MARKET: ASIDE FROM A MARGINAL RISE IN CALL MONEY RATES, PRINCIPALLY RESULTING FROM A NEED FOR FUNDS FOR THE SEPTEMBER TAX DATE, MONEY MARKET RATES CHANGED VERY LITTLE DURING THE REPORTING WEEK. RATES

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DURING THE PAST WEEK WERE AS FOLLOWS:

	CALL MONEY	ONE-MONTH	THREE-MONTH
SEP 14	4.0-4.2	4.4	4.5
15	4.0-4.2	4.4	4.5
16	4.0-4.2	4.4	4.5
17	4.1-4.2	4.4	4.5
20	4.2-4.3	4.4	4.5

6. BOND MARKET: PRICES ON THE MARKET FOR DOMESTIC BONDS ONCE AGAIN INCHED UPWARD DURING THE PAST WEEK. ACCORDING
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TO THE FINANCIAL PRESS, FOREIGN PURCHASES OF GERMAN DOMESTIC BONDS WERE SUBSTANTIAL AS CONTINUED RUMORS OF A DEUTSCHEMARK REVALUATION WAS THE MAIN TOPIC OF DISCUSSION. THE COMPANY FOR THE FINANCING OF THE FRENCH TELECOMMUNICATION SYSTEM, FRANCETEL, HAS ISSUED A DM 100 MILLION LOAN (COUPON 7 1/2 PERCENT, ISSUE PRICE 99, MATURITY 7 YEARS).

7. ECONOMICS INDICATORS PUBLISHED THIS WEEK:

NON-SEASONALLY ADJUSTED
BUNDESBANK DATA

	MAY	JUNE
INDUSTRIAL WAGES PER EMPLOYEE (1970 EQUALS 100)	173.7	181.3
PERCENTAGE CHANGE OVER 1975	7.7	10.2

	MARCH (DM BILLION)	JUNE (DM BILLION)	PERCENTAGE CHANGE OVER JUNE 1975
BUSINESS LOANS (1)	393.5	404.8	5.8
INSTALMENT AND OTHER CONSUMER CREDITS(1)	81.9	88.0	21.8
MORTGAGE DEBT (1)	210.4	213.3	6.2

NON-SEASONALLY ADJUSTED
FEDERAL STATISTICAL OFFICE DATA

	JUNE	JULY	AUGUST

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INDUSTRIAL PRODUCER
PRICES (1970 E-
QUALS 100) 141.0 141.7 142.0
PERCENTAGE CHANGE
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OVER 1975 4.1 4.6 4.7
BUILDING PERMITS FOR
APARTMENTS (1000'S) 36.1 35.0 N.A.
PERCENTAGE CHANGE
OVER 1975 7.4 7.3 N.A.
AUTO REGISTRATIONS
(THOUSANDS) 210.4 162.7 121.8
PERCENTAGE CHANGE
OVER 1975 5.6 MINUS7'3 1.9

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(1) REPORTED ONLY ON A QUARTERLY BASIS.
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